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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSAL FOUR)	Docket No. RM2021-7

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE REGARDING PROPOSAL FOUR
(August 30, 2021)

On August 23, 2021, initial comments in this docket were filed by the Public Representative. The Public Representative views the Proposal overall as an improvement, but also claims that certain aspects require clarification and further support. The Postal Service hereby offers its reply comments.[1] As explained below, with the provision by the Postal Service of additional analysis in association with these Reply Comments, nothing presented by the Public Representative should deter the Commission from prompt implementation of Proposal Four.

The PR Comments at 4-5 raise a concern about "missing" data in the sense that there are material amounts of what are often referred to as zero-volume tests -- SPR time without matching PTR scans.[2] Yet this apparent discrepancy is not a data problem, but rather simply a reflection of the fact that SPR carriers do other things besides delivering parcels.[3] SPR carriers, particularly in smaller units, spend a

[1] A separate motion has been submitted by the Postal Service today seeking leave to file these reply comments.
[2] There are 17.9 percent zero-volume tests in the SPCCS data for October, 2019, filed with the original proposal, and reproduced in Table 1 of the PR Comments, p. 5. For the full year of FY 2020, the percentage of zero-volume tests is 17.8 percent.
[3] *See* A New Study of Special Purpose Route Carrier Costs, Docket No. RM2019-6, section II, A Profile of SPR Activities and Operations (June 21, 2019), pp. 4-7. This topic

significant proportion of their time collecting mail from street letter boxes. In addition, in large units, SPR carriers transport relay mail to transfer boxes on foot routes. Neither of these activities would have PTR scans associated with them.

The data presented several years ago in the SPR Study in Docket No. RM2019-6 also exhibited a relatively large percentage of clock-ring begin- and end-segment pairs where there were no scans, approximately 38 percent.[4] While this is larger than the percentage of zero-volume carrier-days from SPCCS, the definition of clock-ring pairs from the SPR study differs from the definition of carrier-day in SPCCS. For example, a carrier clocking to both office and to street MODS operation codes on the same day would only create a single carrier-day in the SPCCS data, but would create at least two begin-end pairs in the SPR Study data. Thus, the resulting percentages of zero-volume carrier-days from SPCCS is consistent with the results from the SPR Study.

Similarly, CCCS-SPR has exhibited a relatively high percentage of route-days where carriers are clocked to LDC 23 but are not delivering mail. In FY20, there were 87 tests out of 915, or 10 percent, where the data collector conducting a manual test verified that there was no delivery volume even though carriers had clocked to LDC 23.[5] Again, the percentages of zero-volume tests are affected by differences in the definitions of the sampling units for CCCS-SPR, the route-day, and for SPCCS, the

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was also discussed in Responses to ChIR No. 1, Docket No. RM2021-7, (August 12, 2021), question 7.d.

[4] Response to ChIR No. 3, Docket No. RM2019-6 (August 12, 2019), question 11.

[5] Zero-volume tests were not included in the SAS dataset filed in USPS-FY20-NP22; however, their absence does not affect estimates of either the distribution factors used for costing or for total volumes. Zero-volume tests were included in the SAS dataset filed in USPS-FY19-NP22; there were 86 tests with mailcode “999990” and positive workhours in RtDay_Hrs. This is 9 percent of the 940 tests conducted in FY19, similar to the 10 percent in FY20.

carrier-day. When multiple carriers are clocked to the same route, but some do not scan, then SPCCS will record some zero-volume carrier-days, while CCCS-SPR would not record a zero-volume route-day as long as there were scans from at least one carrier. This may happen if, for example, two carriers are working together, sharing one scanner, to make deliveries on very high-volume delivery days, or when multiple carriers clock to a default SPR route number for the office, such as “000”.

Furthermore, the proposed SPCCS samples all possible carrier-days, no matter how few hours, while CCCS-SPR does not sample route-days with very few hours. As the Public Representative observed on page 4 of her comments, small-workhour carrier-days have much higher percentages with no scans. Incorporation of these very low workhour carrier-days will tend to increase the percentage of zero-volume tests relative to CCCS-SPR.

In conclusion, the percentage of zero-volume carrier-days from SPCCS is consistent with the data from CCCS-SPR and from the SPR Study, and there is no evidence of significant under-reporting of volumes. There is no need to attempt to adjust the volume estimates as suggested by the Public Representative on page 9. Furthermore, the purpose of SPCCS is to provide a distribution key for costing by estimating the percentages by product of volumes delivered, not to estimate the total volume.

The Public Representative at pages 7-8 draws attention to the Audit Report by the USPS Inspector General and the discussion of operational matters that could affect

SPCCS.[6] Regarding city carriers logging in to their scanning devices and clocking to the correct labor distribution code, while errors in these activities could affect the SPCCS estimates of total volume, they would not affect the distribution factors that are used for costing, since, on average, these would affect the estimated volumes for all products equally. Regarding mailpieces without barcodes, the Postal Service has assessed that the magnitude of the cost impact that would result from implementation of Proposal Four is *de minimis*. For products that do not have barcodes that are recorded in PTR (including First-Class Cards, Letters and Flats, both Single Piece and Presort, and Marketing Mail Letters and Flats, both ECR and Other, and ECR Parcels), the contribution to unit costs from CCCS-SPR was less than $0.0002 for each of these products. Maintaining manual on-site data collection just to record these very small volumes that are not captured in PTR would incur a data collection cost that would be a non-negligible fraction of the reported cost difference.

The full nature of the Public Representative's concerns set forth on pages 9-10 of the PR Comments regarding the separation of peak and non-peak cost pools is unclear. The Postal Service believes this portion of Proposal Four to be straightforward. To clear up any potential confusion, however, please see Tables 1 and 2 below, which use the same FY 2018 SPR data presented in Table 5 of Order No. 5405 (January 14, 2020) when approving the current variabilities (although a higher level of rounding is applied to those variabilities).

[6] Inspector General Audit Report, City Carrier Cost System, No. 21-0360R21, July 14, 2021, p. 10.

Table 1			
USING PRC APPROVED RESTRICTED QUADRATIC MODEL			
	Hours	Variability	VV Hours
J,F,M,A	2,999,392	60.3%	1,808,333
M,J,J	2,357,440	57.5%	1,355,999
A-O, 3 weeks Nov.	2,783,674	65.7%	1,828,874
4th wk N, D	3,494,950	81.1%	2,833,705
Total	11,635,456	67.3%	7,826,912

Table 2			
Variabilitiy for Peak and Non-Peak RM2019-6			
	Hours	Variability	VV Hours
Non-Peak	8,140,506	61.3%	4,993,207
Peak	3,494,950	81.1%	2,833,705
Total	11,635,456	67.3%	7,826,912

As did the comparable table in Order No. 5405, Table 1 provides the total TACS hours by time period, the estimated variability, and the volume variable hours (volume variability multiplied by the TACS hours). Table 1 shows the total single variability (67.3 percent) that is obtained by using hours as the weighting factor. Table 1 also shows the total volume variable hours, which can be equivalently obtained either by summing the four periods of variable hours, or by multiplying the total TACS hours by the weight averaged volume variability.

Table 2 provides the separation of peak and non-peak costs into two cost pools, as required by the instant proposal. As can be seen, however, even if the time periods are aggregated differently, the overall volume variability of the two cost pools and the overall volume variable hours do not change.

Proposal Four presents the opportunity to improve the accuracy of SPR costs by producing a separate distribution key for peak period costs. However, to utilize this improved information, as noted, the Postal Service must construct a separate set of

volume variable hours for the peak and non-peak SPR periods as shown in Table 2. The particular set of volume variable hours in Table 2 is, of course, based on the weighting implicit in the original FY 2018 SPR hours used in Docket No. RM2019-6. Using those weights, the variability to be applied to the non-peak period would be 61.3 percent.

Given that the burden of collecting and summarizing TACS hours by time period is minimal, the Postal Service further proposes to update the TACS hours that are used to weight the variabilities annually. The Public Representative's suggestion (page 10) of annually providing the TACS hours used to weight the variabilities is also minimal, and the Postal Service has no objections to providing those data if the Commission were to deem it necessary. Tables 3 and 4 below illustrates how this exercise would work by demonstrating the modest impact of updating the above tables with TACS hours from FY 2020 data.

Table 3
FY20 TACS Information

	Hours	Variability	VV Hours
J,F,M,A	2,932,721	60.3%	1,768,137
M,J,J	3,301,542	57.5%	1,899,047
A-O, 3 weeks No	2,960,394	65.7%	1,944,979
4th wk N, D	3,635,204	81.1%	2,947,424
Total	12,829,861	66.7%	8,559,587

Table 4
Variability for Peak and Non-Peak FY2020

	Hours	Variability	VV Hours
Non-Peak	9,194,657	61.0%	5,612,163
Peak	3,635,204	81.1%	2,947,424
Total	12,829,861	66.7%	8,559,587

By updating the TACS hours, the Postal Service would be accounting for any change in the proportions of usage within the non-peak periods. As can be seen, the FY 2020 variability for the non-peak period would have been the 61.0 percent in Table 4, instead of the 61.3 percent displayed in Table 2. Table 4 is merely demonstrative though; under the proposal, the TACS hours in each subsequent year would be used to obtain the correct weighted non-peak volume variability for that year. In contrast, the peak variability would remain at 81.1 percent for each year. The cost pools here are formed directly from the total accrued costs for SPR carriers in TACS, which is directly related to the hours clocked, but also account for differences in pay levels and structure. The Postal Service would apply the volume variabilities directly to the total cost pool amounts, thus providing the total volume variable costs to be distributed to products. See I-Forms, tab I-SPR and Table 5 provided below, illustrating the application of the proposal to FY 2020 data.

Table 5

SPR COSTPOOLS - COSTS AND VARIABILITIES

Cost Pool	Amount	Variability
	(1)	(2)
Source	TACS	Proposal Four
Mon-Sat Delivery Non-Peak	395,561,209	61.0%
Non-Sat Delivery Peak	135,222,163	81.1%
Sunday Delivery	268,840,239	91.8%
Collection	195,115,030	24.2%
Relay	40,933,164	

To summarize, the current sampling system does not have enough information to create a separate distribution key for peak and non-peak time periods; intuitively, one might expect that the mail mix could differ based on the time of year. If the proposed methodology were to be approved, the Postal Service would be able to apply different

distribution keys to the two different cost pools and better attribute the costs of SPR peak and non-peak to the correct products. While that would be true regardless of whether the non-peak weighting is updated annually or not, that additional refinement would further improve the accuracy of the non-peak cost pool distributed each year.

Apparently in the context of the discussion of this specific refinement, however, the Public Representative on page 9 also suggests that "the Postal Service reevaluate annually the data periods and/ or expand the data periods used in the Docket No. RM2019-6 variability analysis." While the exact nature of this suggestion is unclear, it may be intended as a departure from a proposal premised entirely on continued application of the variabilities from Docket No. RM2019-6 to a more expansive invitation to update those variabilities. If that in fact is what is being suggested, then the Postal Service disagrees. The instant proposal stands entirely on its own merits, and the Public Representative offers no support for any potential claim that the current variabilities should be revisited. The Postal Service does not see a need for reconsideration of the data periods because the analysis presented in Docket No. RM2019-6 produced stable and robust variabilities that were reviewed and approved by the Commission. The collection of the data used to estimate the variabilities was extremely time consuming and resource intensive. Moreover, the subsequent process necessary for matching and integrating the collected data was likewise difficult and exhausting. Each week of data required multiple workdays to collect and process close to 50 million observations. *See*, generally, Docket No. RM2019-6, SPR Public Report (June 19, 2019), at 23-24. An expanded data collection requirement would impose an unrealistic burden on the Postal Service, when one considers the sheer volume of data

processed, without a demonstration of any required need. An expanded data collection requirement would also require additional resources to properly merge the data, analyze the data, produce an analysis dataset, and re-estimate the models. In essence, the Public Representative's apparent (or at least potential) recommendation would result in a proposal that materially differs from that which was presented by the Postal Service in this docket. No such monumental effort is needed either to move forward with Proposal Four more generally, or to evaluate the specific component of the proposal regarding annual updates of the weights.

On another topic, in response to the Public Representative's requests on page 10 for more complete documentation, the Postal Service provides the following additional information. Regarding variables found in the SAS programs, a data dictionary for the variables provided in the Z-file dataset was previously provided in the SPCCS System Documentation (Section E, pp. 8-9) which was part of the zip file attached to the Petition filed in this docket on July 22, 2021. The SAS programs sometimes used other variables that were created during merges with multiple data sources, but which were essentially duplicates of the variables that were used in the final filed dataset, and therefore excluded.

Regarding MODS operation code 746 (PR Comments at 10), the Postal Service appreciates the Public Representative bringing this to our attention. This code was inadvertently not included in the data developed for the proposal, but would be included going forward should the Commission approve Proposal Four. Note that there are very few hours associated with this operation code, currently approximately 0.0004 percent of all LDC 23 workhours, so the impact would be very small.

Regarding the partial data provided in the original filing of Proposal Four, the Postal Service is now providing the dataset for the full year of FY 2020 SPCCS data under seal in USPS-RM2021-7-NP2. Note that these data are in fact the actual PTR and TACS data, not simulated data. Multiple versions of the programs were required to be developed in order to extract and cleanly merge data from disparate data sources, however, and thus these versions were labeled as "Simulations."

Conclusion

Notwithstanding the thoughtful comments offered by the Public Representative, for the reasons stated above, and in light of the additional material provided, Proposal Four should be approved at this time.

Respectfully submitted,

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